

# Poland Looks West as Its Economic Possibilities Expand

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*This article is the first in a series that AgExporter is planning to run on the 10 countries in Central and Eastern Europe that are preparing for full EU membership, and the implications of those accessions for U.S. agricultural exports. These articles will appear in various issues between this one and May 2004, when the accessions are scheduled to be completed.*

**P**oland is located in the very center of Europe, bordering Germany to the west, the Czech Republic and Slovakia to the south and Ukraine, Belarus and Lithuania to the east.

At 38 million, Poland's population equals over 50 percent of the combined population of all 10 countries likely joining the EU (European Union) May 1, 2004. While recent declines in consumer demand and rising unemployment have slowed economic growth, Poland has effectively made the transition to a market economy.

## Joining the EU

Poland will become a member of the EU on May 1, 2004. At that time Poland will fully implement EU trade rules and regulations and replace its current tariff schedule. What will this mean for the prospects of U.S. agricultural exporters?

U.S. businesses exported \$76.6 million worth of agricultural, fish and forest products to Poland in fiscal 2002. Actual U.S. exports are likely higher because millions

of dollars worth of U.S. products ultimately arrive in Poland after transshipment, processing, packaging and some resale, primarily via West European intermediaries. This is evident from Polish official import statistics that record total calendar 2002 U.S. agricultural imports by Poland at \$133 million.

Although U.S. export sales to Poland have been erratic in recent years, prospects for future growth of sales of some U.S. products are reasonably bright.

A major factor currently enhancing U.S. export competitiveness is the weakening the U.S. dollar in relation to the Polish zloty and the euro. In the first half of 2003, the dollar was down almost 6 percent versus the Polish zloty compared with the same period of 2002. The favorable exchange rates are making U.S. goods more affordable on the Polish market.

Poland is one of the largest economies in Central Europe. Economic growth has slumped to 1 percent in the last two years, but is expected to revitalize following EU accession. Of course, current agricultural trade policy issues between the United States and the EU will then extend to Poland.

For example, the current EU veterinary restrictions on U.S. poultry and red meats would virtually eliminate U.S. exports of these products to Poland, nearly \$38 million in fiscal 2002.

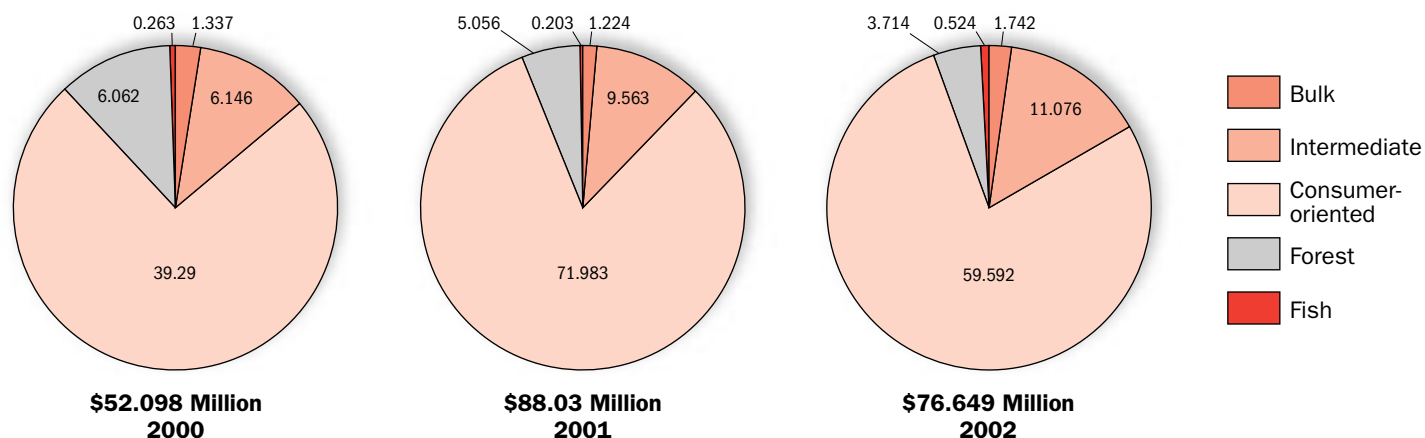
On the other hand, agricultural import duties will decline for items such as dried fruits and nuts, sunflower seeds, wines and certain seafood products.

In anticipation of its EU membership, the Polish government is adopting standards and regulations for trade of agricultural products that are similar to those of

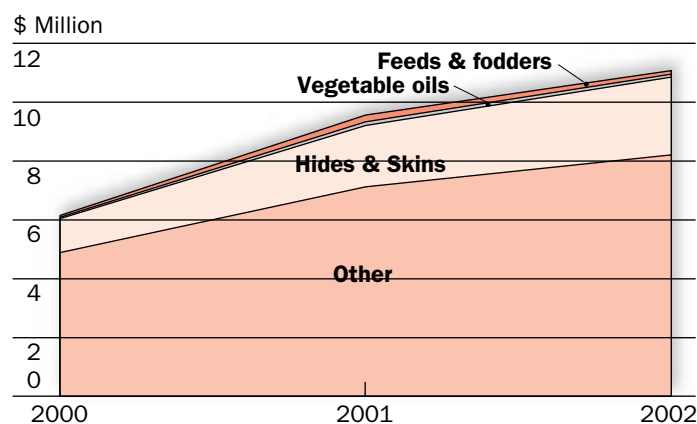


## U.S. Export Trends in Poland

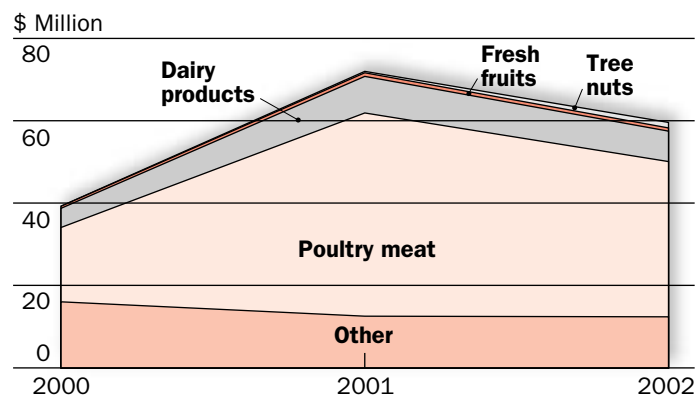
Sales of U.S. Agricultural, Fish and Forest Products Have Fluctuated Markedly in Recent Years.



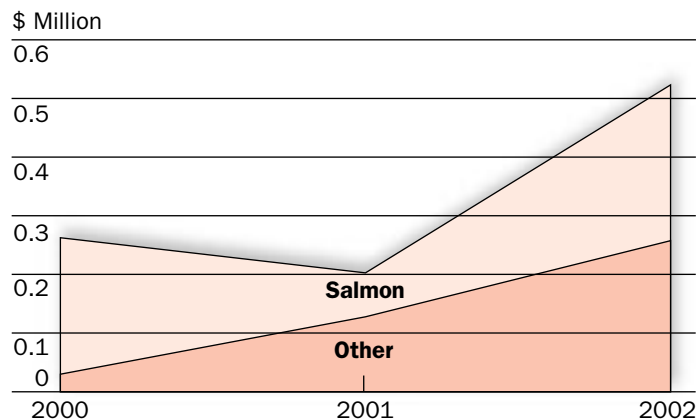
### U.S. Intermediate Product Sales Soared Steadily, Rising 80 Percent Over the Period.\*



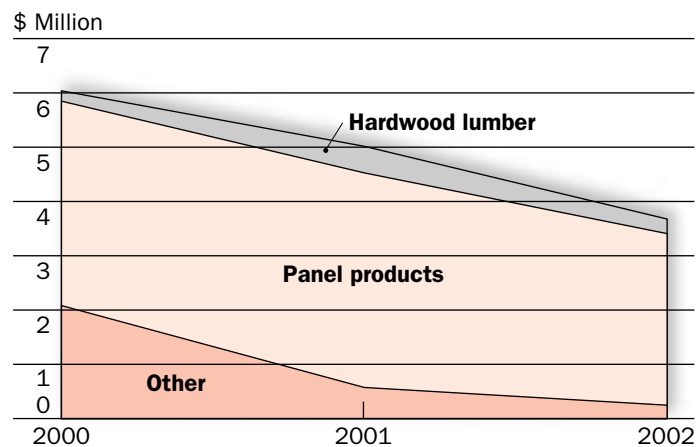
### U.S. Consumer-oriented Product Sales Climbed a Hefty 50 Percent. However, Poland's EU Accession Will Likely Constrain Sales of Some Important Products, e.g., Poultry and Red Meats.\*



### U.S. Fish Product Sales Nearly Doubled. But Accession Will Hamper Herring and Mackerel Trade.\*



### U.S. Forest Product Sales, On the Other Hand, Shrank 39 Percent.\*



\*Chart labels refer to biggest period gainers.

## POLAND IS EUROPE'S NINTH LARGEST COUNTRY AND THE LARGEST OF 10 EU ACCESSION CANDIDATE COUNTRIES, ACCOUNTING FOR OVER 50% OF THEIR COMBINED POPULATION.

the EU. The government will also be changing its legal system to attain an EU-compatible certification system. Overall, the modernization of import regulations should enable some U.S. agricultural products not now present in Poland to enter the market.

### Food Service Sector Growth

The development of tourism, increasing employment among women and gains in annual per capita income have resulted in large growth for Poland's hotel, restaurant and institutional sector. During the next decade, overall consumer purchasing power is expected to rise.

For Poles living in urban areas, eating out is no longer a rarity. Consumers are developing a variety of food tastes from Mediterranean to Asian, with a specific demand for fast food.

As a result, consumer-oriented products such as fresh fruits and vegetables, processed oils, coffee, cocoa and confectionery now account for some 50 percent of all Polish agricultural and food imports.

At the same time, as consumer income grows, the number of hypermarkets has expanded from 27 in 1996 to more than 170 by the end of 2002. The foreign supermarket chains of Carrefour, Auchan, E. Leclerc, Ahold, Tesco and Geant have opened many of these stores. These large markets will account for more than 40 percent of retail food sales in the next five years.

Competition for this value-added food sector is intense, particularly from Germany and the Netherlands. Nevertheless, U.S. suppliers have an opportunity to make inroads into the Polish market with such items as:

- Convenience, new-to-market, ready-to-eat products



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- Select foods for upscale hotels and restaurants
- Wines
- Some seafood products
- Dried fruits and nuts
- Luxury food and drinks
- Some food ingredients
- Products viewed as "natural"

Making a trade visit to Poland or participating in a trade show are the best ways to introduce products to Polish customers.

### Seafood Prospects

In Poland, seafood demand far outstrips supply. The seafood processing industry depends on imports. Norway supplies around 50 percent of Polish seafood needs. However, U.S. sales have increased in recent years, from 314 tons in 2000 to almost 2,000 tons in the first nine months of 2002. And with expected annual increases in seafood retail sales, the potential remains for U.S. companies to enter this market.

Polish seafood imports are expected to increase 10 percent annually. There is significant demand for herring and mackerel, as well as value-added fish products

such as fish sticks made from herring fillets. Unfortunately, export opportunities for U.S. herring and mackerel will suffer because of higher import duties that will be implemented by Poland when it enters the EU.

Niche markets are expanding for oysters and salmon. With its excellent port access and central location, Poland is a favorable transshipment point for seafood destined for other Central and East European fish processing markets.

The best ways to enter the Polish Central/East European seafood market are by trade visits and by linking up with Polish buyers attending the European Seafood Exposition held in Brussels, Belgium.

A health certificate issued by a government-approved veterinarian from the exporting country must accompany any fish shipment to Poland. Retail product packages must be labeled in Polish with the "best before" date clearly marked. ■

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For details, see FAS Reports PL2032, PL2034 and PL2037. To find them on the Web, start at **[www.fas.usda.gov](http://www.fas.usda.gov)**, select **Attaché Reports** and follow the prompts.

